

## DOUBLE TAXATION: SHIPPING PROFITS

*Exchange of notes at Washington March 31, 1938; United States memorandum dated March 31, 1938*

*Entered into force March 31, 1938*

52 Stat. 1490; Executive Agreement Series 121

### EXCHANGE OF NOTES

*The Secretary of State to the Swedish Minister*

DEPARTMENT OF STATE  
WASHINGTON, *March 31, 1938*

SIR:

In order to insure that American shipping will continue to enjoy the benefits of tax exemption which have been in effect in Sweden pursuant to the exchange of notes commencing with the Swedish Legation's notes of January 27, 1922, and February 24, 1922,<sup>1</sup> I have the honor to inform you that, on condition of reciprocity, corporations, including maritime shipping companies, organized in Sweden, the vessels of which, documented under the laws of Sweden, call at ports in the United States of America either to load or to unload cargo, or to embark or to land passengers, shall be exempted by the Government of the United States of America from the payment of taxes on income or profits derived exclusively from the operation of such vessels.

In consequence thereof, Sweden is held to have satisfied the equivalent exemption provisions of Sections 212(b) and 231(e) of the Revenue Act of 1936<sup>2</sup> and the provisions for taxation of the income of corporations contained in said Act shall in no case be applied to corporations, including maritime shipping companies, organized in Sweden.

This exemption shall apply even though a Swedish corporation or company has an agency or a branch office in the United States, provided that the activities of the agency or branch office are limited to the direct operation of vessels.

<sup>1</sup> *Ante*, p. 746.

<sup>2</sup> 49 Stat. 1715 and 1717.

By "maritime shipping companies", shall be understood companies which are managed by an "owner" of vessels, the term "owner" including charterers.

Income or profits derived from the operation of vessels shall also include income or profits derived from the sale in the United States of steamship tickets issued by a Swedish corporation or company.

The same exemption from taxation shall, on condition of reciprocity, likewise be enjoyed by subjects of Sweden, not residents in the United States of America, for income which consists exclusively of earnings derived from the operation of a vessel, or vessels, documented under the laws of Sweden.

This exemption may be terminated at any time by either Government on six months' notice given to the other Government.

Accept, Sir, the renewed assurances of my highest consideration.

CORDELL HULL

The Honorable  
W. BOSTRÖM  
*Minister of Sweden*

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*The Swedish Minister to the Secretary of State*

LEGATION OF SWEDEN  
WASHINGTON, D.C., *March 31, 1938*

SIR:

In order to insure that Swedish shipping will continue to enjoy the benefits of tax exemption which have been in effect in the United States of America pursuant to the exchange of notes commencing with the Swedish Legation's notes of January 27, 1922, and February 24, 1922, I have the honour to inform you that, on condition of reciprocity, corporations, including maritime shipping companies, organized in the United States of America, the vessels of which, documented under the laws of the United States, call at Swedish ports either to load or to unload cargo, or to embark or to land passengers, shall be exempted by the Government of Sweden from the payment of taxes on income or profits derived exclusively from the operation of such vessels.

In consequence thereof, the Royal Ordinance of September 28, 1928, concerning Income and Property Taxation, and The Swedish Communal Taxation Law of the same date shall in no case be applied to American shipping corporations, including maritime shipping companies, organized in the United States of America.

This exemption shall apply even though an American corporation or company has an agency or a branch office in Sweden, provided that the activities of the agency or branch office be limited to the direct operation of vessels.

By "maritime shipping companies", shall be understood companies which are managed by an "owner" of vessels, the term "owner" including charterers.

Income or profits derived from the operation of vessels shall also include income or profits derived from the sale in Sweden of steamship tickets issued by an American corporation or company.

The same exemption from taxation shall, on condition of reciprocity, likewise be enjoyed by citizens of the United States of America, not residents in Sweden, for income which consists exclusively of earnings derived from the operation of a vessel, or vessels, documented under the laws of the United States of America.

This exemption may be terminated at any time by either Government on six months' notice given to the other Government.

With renewed assurances of my highest consideration, I have the honour to remain, Sir,

Your most obedient servant,

W. BOSTRÖM

The Honourable CORDELL HULL  
*Secretary of State of the United States  
of America*

UNITED STATES MEMORANDUM

The Department of State advises the Swedish Legation that so far as it is advised the income of foreign shipping companies is not being taxed by the state authorities.

DEPARTMENT OF STATE  
*Washington, March 31, 1938*